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SUBJECT: MEP OFFICIAL TALKS ABOUT BALANCING ENVIRONMENTAL
PROTECTION WITH ECONOMIC REVIVAL, BUT AUTHORITY IS WEAK

REF: A) Beijing 1637 B) Beijing 1438

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SUMMARY

1. (SBU) In a press briefing on June 25 by Mr. WAN Bentai, Chief Engineer of the Ministry of Environmental Protection (MEP), Wan strongly asserted that MEP's highest priority is to maintain and enforce national environmental laws, and actions to support these laws and regulations would be not be compromised by China's efforts to revive the economy. In support of these claims, Wan cited China's progress on energy conservation and pollution abatement, pointing out that MEP now has an array of eco-friendly environmental policy tools. However, in the following Q&A part of the press briefing, Wan was peppered with questions about ongoing dam construction projects along the Nu and Jinsha Rivers in Southwest China that clearly indicated that MEP has only limited ability to implement its policies at the local level. END SUMMARY.

ECONOMIC RECOVERY WILL NOT HARM ENVIRONMENT

2. (U) At a press conference on June 25, Dr. WAN Bentai announced that "China will not rejuvenate the affected economy at the expense of the environment." The central government has allocated four trillion RMB (USD 590 billion) toward a stimulus package to maintain the economic growth of China. He explained that economic recovery usually causes detrimental impacts to a country's environmental protection efforts, but he stressed that China, as a socialist country, sees environmental protection as its "highest" responsibility, and that "China will not follow in the footsteps of the West and will never seek economic recovery at the expense of the environment." Dr. Wan cited numerous examples of what MEP views as environmental improvements in the last year, including a 6.61 percent reduction in Chemical Oxygen Demand (COD) levels, a 8.95 percent reduction in sulfur dioxide levels, and a 1.1 percent reduction in total GDP Energy Intensity. In addition, he highlighted the central government's commitment toward energy conservation through the setting of emissions reduction targets for sulfur dioxide and making climate change a priority even during an economic downturn.

MEP'S ENVIRONMENTAL "ACCOMPLISHMENTS" HIGHLIGHTED

13. (SBU) According to Dr. Wan, MEP has invested great efforts toward improving environmental protection in recent years. He claimed that MEP disapproved 29 of 394 construction projects last year, because they were considered too energy intensive or highly-polluting. MEP also increased pollution abatement activities. In 2008, approximately 230 billion RMB (USD 33.7 billion) was channeled toward augmenting environmental protection and climate change efforts (40 billion RMB of this was on energy reduction activities). Dr. Wan emphasized MEP's implementation of eco-friendly economic policy tools, including "green" financing, "green" credit, and "green" insurance. For example, if a company's environmental indicators are found to exceed mandated standards, the company will be restricted from obtaining financial support from public funds or loans from banks. Lastly, Dr. Wan spoke of a newly-established national "whistleblower hotline," which individuals can call anonymously to report environmental violations.

PRESS PROBES DAM CONSTRUCTION IN SOUTHWESTERN CHINA

14. (SBU) Although not the original intent of the Q&A session, both domestic and international reporters sought to steer questions toward the construction of dams on Jingsha and Nu River in the western region of China, and in Xiao Nan Hai, a protected region upstream of the Three Gorges. The reporters present submitted the following questions:

--Given the numerous times the central government has failed to halt dam construction along Nu and Jingsha Rivers, does the central government have the ability to influence local governments, even if local GDP growth remains the most important goal for local

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officials?

---How can MEP enforce its orders and policies? What measures will central government, or MEP, take to ensure that local governments will comply with the official orders to cease?

-How can the two hydropower companies, Hua Ren and Hua Dian, "so boldly challenge" MEP?

--What can MEP do to intervene earlier in the hydropower plant development process, before actual construction has begun and ecological impact has occurred?

--How can local governments build dams on a site (near Xiao Nan Hai) that has been identified as a national fisheries reserve, a habitat for endangered species?

--Who will pay for the economic loss and restoration efforts of an aborted project?

MEP UNCLEAR ON STATUS OF EIAs FOR DAMS

15. (SBU) In response to questions about some of the last remaining natural rivers in China, Wan stressed the importance of establishing regulations and the local governments' need to comply with central government law and policy by stating, "it is in accordance with the law for MEP to suspend construction of the dams--it was the two companies that did not complete the environmental impact assessments (EIA)." Although Wan explained that "everybody is equal before the law, and powerful companies, no matter the size, must abide the law," he was however hard-pressed to explain MEP's delayed response and previous futile attempts to cease construction activity on the two rivers (NOTE: The construction of multiple hydropower plants began before completion of EIAs and MEP's official approvals (REF A). END NOTE)

¶6. (SBU) Wan further explained that MEP is certain that environmental impact will result from these dams, but the magnitude of the impact remains uncertain, so stakeholders should wait for the EIA, calling it "MEP's strongest weapon". According to Dr. Wan, before the EIA can be completed, MEP is awaiting an overall assessment of water resource and electricity needs in the region, which is being conducted by an expert panel (NOTE: According to contacts from The Nature Conservancy, the scientists in the expert panel have been changed multiple times. The timeframe for completing EIAs has remained unclear, and can take years; meanwhile construction will likely continue. END NOTE)

COMMENT

¶7. (SBU) The reaction of the press to MEP's announcement and the subsequent redirection of questions toward MEP's inability to order the cessation of environmentally-harmful construction occurring far from the capital indicate a strong disconnect between on-the-ground activities and the central government's actions and direction. Although the central government has stated that the economic downturn will not impact the need for maintaining environmental protection, the disputes between the central and local governments on hydropower plants suggest otherwise, and instead point to the continued strong desire (at least at the local level) to emphasize economic development over all else, and local officials view hydropower as a means to that end. The continued construction of the two hydropower plants remains at odds with this announcement by MEP. If left unchecked, the construction could destroy one of the last remaining natural waterways in China and Southeast Asia.

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